

2007 Emerging Issues Forum

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Panel Two: Revisiting GASB 45

Staring Down the Barrel of a GASB 45

STARING DOWN THE BARREL OF GASB 45

A Local Perspective

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5 KEY BULLETS



DATA

II. Claim/Financial Experience – Medical and Other Plans

- List of all plans available to Town and School employees and retirees
 - Under age 65
 - Medicare-eligible
- Type of plan (HMO, Indemnity, PPO, etc.)
- Premium rates or "working rates" for each plan (2007, 2006, 2005); include effective dates of rate changes
- Summaries of claims paid for each self-insured medical plan in most recent two years, shown separately for retirees and spouses (by 5 year brackets broken down by gender):
 - Under age 65
 - Medicare-eligible
- Enrollment in each plan by age group, for each year of claims experience
- Summary of all administrative charges incurred, including charges for claims administration, stop-loss premiums paid, utilization review fees, etc.

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5 KEY BULLETS

PLAN DESIGN



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5 KEY BULLETS

SECTION 18



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5 KEY BULLETS

💰 FUNDING



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5 KEY BULLETS

💡 COMMUNICATIONS inform ⇒ educate ⇒ act



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BULLET #1: DATA



Multiple Sources

- Municipality/Public Entity
- School Department
- Retired Teachers
- Vendors

Start Early!

- Data Quality
- Missing/Incomplete Data, e.g., claims



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BULLET #2: PLAN DESIGN

“Over the past two decades ... employers offering retiree health benefits declined ...from 66% in 1988 to 35% in 2006....

...one out of five large, private sector employers who do offer retiree health care require new retirees to pay the full cost.”

*The Retiree Health Care Challenge, prepared by Hewitt Associates for the TIAA-CREF Institute, November 2006
FAS 106 effective 1993*

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BULLET #2: PLAN DESIGN



Shift Costs

- co-insurance
- co-pays
- individual vs. family

Restrict Benefit Eligibility

- vested terminated



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BULLET #2: PLAN DESIGN



Retirees are not under collective bargaining



Take teachers out of GIC



Restrict plan options



Rebalance cash compensation and benefits: total rewards perspective



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BULLET #3: SECTION 18 of MGL Chapter 32B

- **Requires members to enter Medicare (if eligible)**

EXAMPLE:

65 year old retiree

- **Medicare: \$55k to \$79k**
- **Non-Medicare: \$198k to \$235k**
- **About 28% of cost**



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BULLET #4: FUNDING

- **Home Rule Petition**
- **Separate Trust Fund Agreement**
- **Funding Sources**
e.g., enterprise funds, Medicare Part D
- **Integrate with Pension Funding**
- **Allocation of Costs**
e.g., by department



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BULLET #5: COMMUNICATIONS

INFORM

1/1/1999

Retirement Board,
HR, Actuary,
Town Administrator



EDUCATE

2000

Legislature
Finance Committee
Town Meeting



ACT

2005

Funding
Home Rule Petition
Study Committee

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SUMMARY

-  **DATA**
-  **PLAN DESIGN**
-  **SECTION 18**
-  **FUNDING**
-  **COMMUNICATIONS**

Most important: React!!



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Notes

